

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 TRSE-00 XMB-02 OPIC-03 AID-05

CIEP-01 L-02 FEA-01 CIAE-00 INR-07 NSAE-00 PA-01

PRS-01 USIA-06 EA-06 EUR-12 /064 W

----- 065962

R 230931Z MAR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2571

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT UNN

AMEMBASSY DOHA

AMEMBASSY JIDDA UNN

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY SANAA

AMEMBASSY TEHRAN

USINT BAGHDAD UNN

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E.O. 11652: N/A

TAGS: ENRG, ECEM, EWWT, BMEP, KU

SUBJECT: KNPC DEVELOPMENTS

REF: (A) KUWAIT 273; (B) KUWAIT 5131 (1974); (C) KUWAIT 4373 (1974)

1. REPORTED BELOW IS SUMMARY CHECKLIST AND STATUS REPORT OF MOST SIGNIFICANT CURRENT ACTIVITIES OF KUWAIT NATIONAL PETROLEUM COMPANY (KNPC). THIS CABLE UPDATES INFO PROVIDED IN REFTELS.

2. LUBE PLANT: APPARENTLY DISCUSSIONS WITH MOBIL FOR 30,000 TON LUBE BLENDING PLANT HAVE BROKEN DOWN. AS A RESULT KNPC NOW LOOKING FOR ANOTHER JOINT VENTURE PARTNER TO MANAGE PLANT AND PROVIDE TECHNICAL ASSISTANCE. MOREOVER, KNPC ALSO CONSIDERING MANUFACTURING LUBE OIL BASE STOCK FOR EXPORT AT RATES AS HIGH  
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AS 400,000 TONS ANNUALLY. WE UNDERSTAND GULF, EXXON,

SUNOCO AND CALTEX WILL BE INVITED TO SUBMIT PROPOSALS. COMMENT: GULF'S ROLE HERE CURRENTLY IN LIMBO AS KOC TAKEOVER NEGOTIATIONS PROCEED. EXXON AND SUN HAVE RECENTLY PURCHASED, RESPECTIVELY CRUDE FROM GOK AND PRODUCTS FROM KNPC. THEY MAY SEE COOPERATION WITH KNPC IN LUBE PROJECT AS AIDING AND ABETTING THEIR EFFORTS TO GAIN ACCESS TO CRUDE OR PRODUCTS. END COMMENT.

3. ISOMAX UNIT: KNPC RECENTLY RECEIVED PROPOSALS FROM FOSTER-WHEELER, FLUOR, AND CHIYODA OF JAPAN TO INSTALL ISOMAX UNIT AT EXISTING KNPC REFINERY WHICH WILL HAVE OUTPUT OF 180,000 BBD WHEN SNAM-PROGETTI FINISHES DEBOTTLENECKING PROJECT IN NEXT SEVERAL MONTHS.

4. GRASS ROOTS REFINERY: KUWAIT HAS HAD DISCUSSIONS WITH POTENTIAL CUSTOMERS FOR PRODUCT OF NEXT EXPORT REFINERY WHICH ENVISIONED AS PRODUCING FROM 250,000-500,000 BBD, DEPENDING ON AMOUNT OF LONG-TERM SALES WHICH CAN BE MADE. WHILE COMPANY CLAIMS NO DEFINITE DECISION YET MADE, MOST OBSERVERS BELIEVE KNPC WILL GO AHEAD WITH PROJECT.

5. ASPHALT PLANT: KUWAIT OIL COMPANY CAN NOW PRODUCE 70,000 TONS ANNUALLY OF ASPHALT WHEN RESIDUAL OIL AVAILABLE FROM KNPC'S REFINERY. KUWAIT REQUIRES SUBSTANTIALLY MORE THAN IS BEING DOMESTICALLY PRODUCED AND NEED IS GOING UP RAPIDLY. MOST LIKELY KNPC WILL BE GIVEN THE TASK OF BUILDING A NEW PLANT ALTHOUGH KOC MAY STILL BE HOPING TO DO THE PROJECT.

6. PRODUCT TANKER FLEET: PROSPECTS FOR KNPC TO START THEIR OWN PRODUCT TANKER FLEET SEEMS TO HAVE DIMMED. KUWAIT OIL TANKERS CO. HAS NEVER BEEN COMPLETELY HAPPY WITH WHAT THEY VIEW AS ENCROACHMENT ON AN AREA THEY BELIEVE THEY MORE RIGHTFULLY SHOULD ENTER. KOTC OFFICIAL HAS INDICATED TO EMBOFF THEY MAY GO AHEAD WITH PLANS FOR PRODUCT FLEET EVEN IF KNPC DOES TOO. KNPC'S FAILURE TO DO ANYTHING ABOUT PROJECT, THUS FAR, INDICATES BOTH LACK OF PEOPLE CAPABLE OF STARTING OPERATION AND HESITANCY TO ACT WHEN RESPONSIBILITY OF COMPANIES LIKE KNPC UNDER RECENTLY FORMED KUWAIT OIL, GAS, AND ENERGY CO. (KOGEC), AND NEW MINISTRY OF OIL HAVE NOT YET BEEN CLEARLY DEFINED.

7. ARTHUR D. LITTLE HAS BEEN WORKING SINCE THIS FALL ON \$200,000 LIMITED OFFICIAL USE

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MANAGEMENT CONTRACT WITH KNPC AND HAS SUBMITTED ITS REPORT. REPORT CALLS FOR PHASING OUT OF LONDON OFFICE AND HAVING ALL TOP-LEVEL PERSONNEL LOCATED IN KUWAIT. KNPC HAS ALREADY BEGUN TO IMPLEMENT RECOMMENDATIONS AND HAS HIRED A U.S. EXECUTIVE RECRUITMENT FIRM AND A LEBANESE COMPANY TO STUDY COMPENSATION. ADL HOPES TO GET LARGE FOLLOW-UP IMPLEMENTATION STUDY FROM KNPC.

8. WITH ANTICIPATED OPENING OF SUEZ CANAL, KNPC REACTIVATING

BUNKERING OPERATION IN SOUTH YEMEN IN WHICH IT OWNS 49 PERCENT INTEREST.

9. COMMENT: KNPC NOW SEEMS TO HAVE A RATHER GOOD IDEA ABOUT WHAT IT HOPES TO ACCOMPLISH IN THE NEXT FEW YEARS AND HOW IT PLANS TO GET THERE. IT WILL NOT BE RUSHED INTO DECISIONS BUT ONCE IT DECIDES TO EMBARK ON A PROJECT IT IS LESS LIKELY THAN SOME OTHER REGIONAL COMPANIES TO ABANDON IT. KNPC'S POSITION SEEMS ASSURED AS THE MAIN REFINER OF CRUDE IN THE COUNTRY. POSSIBLE COMPANY WILL ONE DAY ASSUME RESPONSIBILITY FOR KOC'S 300,000 BPD REFINERY. IF SO, KNPC WILL BECOME A REFINING AND PROCESSING COMPANY THAT WILL RANK WITH SOME OF THE LARGE INDEPENDENT U.S. AND EUROPEAN REFINING COMPANIES.  
STOLTZFUS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTION, PETROLEUM REFINING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975KUWAIT01293  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750101-0732  
**From:** KUWAIT  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750324/aaaaavlu.tel  
**Line Count:** 129  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 KUWAIT 273, 75 KUWAIT 5131, 75 (197, 75 KUWAIT 4373, 75 (197  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 JUL 2003 by ShawDG>; APPROVED <05 NOV 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KNPC DEVELOPMENTS  
**TAGS:** ENRG, ECEM, EWWT, BTIO, KU, KUWAIT NATIONAL PETROLEUM CO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006